STATE OF MONTANA

COMPLIANCE SUPPLEMENT FOR AUDITS OF LOCAL GOVERNMENT ENTITIES

REF: CNTY-5

PAGE: 1 of 7

PROGRAM/SUBJECT: Counties – Claims, Warrants, Expenditures/Expenses

INFORMATION CONTACT: Montana Department of Administration

Local Government Services Bureau Phone Number: (406) 841-2909

INDEX:	Claims Approval Page 1 of 7
	Warrants Signed Page 1 of 7
	Warrants Issued and Paid Page 2 of 7
	Claims Published in NewspaperPage 3 of 7
	Travel Expenses and Membership Fees and Dues Page 3 of 7
	Duplicate Warrants Page 5 of 7
	Outstanding Warrants Page 5 of 7
	Registered Warrants Page 6 of 7
	Restriction on Use of County Credit by Private Persons Page 6 of 7
	Full Disclosure of Public Expenditures on Federal Lobbying Page 7 of 7

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

CLAIMS APPROVAL:

1. Compliance Requirement:

• The payment of claims should be authorized by the board of county commissioners only when claims are adequately itemized and/or supported by documentation. (MCA 7-6-2421 and 7-6-2202)

Suggested Audit Procedure:

• As part of expenditure testing, verify that claims are itemized and/or supported by adequate documentation. Documentation might include invoices or itemized billing statements, receiving reports, etc.

WARRANTS SIGNED:

2. <u>Compliance Requirement:</u>

• All county warrants issued, except those drawn on the redemption fund, are to be signed by the county clerk and the chairman of the board of county commissioners. (MCA 7-6-2601(1))

(Note: For this purpose, a "warrant" includes a check and an electronic funds transfer)

PAGE: 2 of 7

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

Suggested Audit Procedure:

• As part of expenditure testing, verify that all warrants contain the signatures of the county clerk and the chairman of the board of county commissioners.

WARRANTS ISSUED AND PAID:

3. <u>Compliance Requirement:</u>

• All warrants issued by the county clerk during each year must be numbered consecutively. The number, date, and amount of each warrant, the name of the person to whom it is payable, and the purpose for which it is drawn must be stated on the warrant. Warrants must, at the time they are issued, be registered by the county clerk. (MCA 7-6-2601)

(<u>Note:</u> All payments to the state treasurer or a state agency must be made by electronic funds transfer if requested by the state treasurer or the state agency and if the county has the technology to conduct electronic funds transfers.)

Suggested Audit Procedure:

• As part of expenditure testing, verify that all warrants were issued consecutively and included the date, amount, name of the person to whom it is payable, and the purpose for which it was drawn.

4. <u>Compliance Requirements:</u>

- The county treasurer may not pay any order or warrant except to the payee of the warrant or to the payee's agent, assignee, or legal representative, whose authority must be in writing and delivered to the county treasurer. The written authority must be returned with the order or warrant, when paid, to the board of county commissioners. (MCA 7-6-2602)
- The designated county treasurer shall pay out, in the order registered, all warrants presented for payment when there are funds in the treasury to pay the warrants (MCA 7-6-612) (Note: See compliance step #9 Registered Warrants)

Suggested Audit Procedure:

• As part of expenditure testing, determine that the above compliance requirements regarding payment of warrants were followed.

PAGE: 3 of 7

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

CLAIMS PUBLISHED IN NEWSPAPER:

5. Compliance Requirement:

• The county commissioners should ensure that a complete list of all claims ordered paid is published in a newspaper, following each board meeting. This listing should include the name, purpose and amount of each paid claim. As an alternative to publishing a detailed list, this information may be published in summary form or by reference only, with the full and complete listing made available upon request. (MCA 7-5-2123)

Suggested Audit Procedure:

• The auditor should request from county officials documentation indicating that such a listing has been published on a regular basis. As an alternative, determine that this information was published in summary form or by reference only, with the full and complete listing made available upon request.

TRAVEL EXPENSES AND MEMBERSHIP FEES AND DUES:

6. Compliance Requirements:

• County officials and employees should be reimbursed for travel expenses in accordance with the provisions of MCA 2-18-503:

When a privately owned vehicle is used on county business because a government-owned or leased vehicle is not available or because such use is in the best interest of the county, a mileage rate equal to the mileage allotment allowed by the United States Internal Revenue Service (IRS) for the <u>current year</u> shall be paid for the first 1,000 miles traveled in a given calendar month. Any miles traveled thereafter within the same month are reimbursed at 3 cents per mile less. If a county-owned or leased vehicle is available and the individual uses a privately-owned vehicle, a mileage rate of 3 cents per mile less than the mileage allotment allowed by the IRS for the current year shall be paid. If an airplane is used, reimbursement is allowed for nautical air miles traveled at a rate of twice the automobile mileage allotment. (MCA 2-18-503)

- AGO #77, Vol. 40: County commissioners may adopt a travel policy providing for the payment/reimbursement of reasonable meal and lodging expenses incurred by county officers or employees in the performance of official duties.
- 7-4-2108 County Commissioners: A mileage allowance (at the rate allowed in MCA 2-18-503) shall be paid for the distance traveled in going to and returning from the county seat and the commissioner's home, for each day such trip is made to perform official duties. If a commissioner lives 50 miles or more from the county

PAGE: 4 of 7

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

TRAVEL EXPENSES AND MEMBERSHIP FEES AND DUES - continued:

6. Compliance Requirements - continued:

seat and chooses to stay overnight to perform official duties rather than travel each day, the commissioner is allowed reimbursement of up to \$18 per day as expenses in addition to mileage for one round trip between his place of residence and the county seat. All claims for lodging must be documented by an appropriate receipt. A reimbursement of \$7 is allowed for lodging expenses each day when a commissioner utilizes other than commercial lodging facilities.

- 7-5-2142(2) Clerk & recorders
 - 7-5-2143(2) District court clerks
 - 7-5-2144(2) Treasurers
 - 7-5-2145(2) County Commissioners: These county officials are allowed actual transportation expenses and per diem allowance to attend any general meetings or conventions of their respective associations held within the state. In addition, membership charges of these associations shall also be paid by the county.
- 7-5-2145(3) County attorneys, sheriffs, assessors, and justices of the peace: These county officials are allowed actual traveling expenses to attend their respective meetings or conventions held within the state. (Per AGO #124, Vol. 42, "actual traveling expenses" may exceed levels established in the county travel policy.)
- 7-4-2923 County Coroner: When any coroner serves more than one process in the same cause, not requiring more than one journey from the office, the coroner may receive mileage only for the more distant service, and mileage is not allowed for less than 1 mile actually traveled.
- 7-14-2126 County commissioners or county surveyor: An individual making road inspections authorized by MCA 7-14-2125, is authorized a daily salary equal to the equivalent of a daily rate for the salary established in 7-4-2107(2), and actual expenses if he receives no other compensation for that day and is not on an annual salary.
- 7-5-2146(2) County school superintendents are entitled to travel expenses as provided for state officials in MCA 2-18-501 through 2-18-503, for attendance at any general meeting of the Montana association of county school superintendents held within the state, and the proportionate expenses and charges against each county as a member of such an association must be paid by the county.

Suggested Audit Procedure:

• As part of expenditure testing, test selected travel claims of county officials and employees to determine that they comply with the provisions of the above statutes.

PAGE: 5 of 7

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

DUPLICATE WARRANTS:

7. Compliance Requirements:

- Before a duplicate warrant is issued to replace a lost or destroyed warrant, the person entitled to receive it must deposit with the county treasurer an indemnity bond for twice the amount of the original warrant. An indemnity bond is not required:
 - 1. when the payee is the State of Montana or any agency, instrumentality, or officer of the State;
 - 2. when the owner or custodian is the State of Montana or any agency or officer of the State;
 - 3. when the owner or custodian is a bank, savings and loan association, credit union, admitted insurer, or trust company whose financial condition is regulated by the State:
 - 4. when it can be established that a crime has been committed and that as a result of such crime a county warrant, bond, or coupon has been stolen or destroyed; or
 - 5. when it can be established that a county warrant, bond, or coupon has been mailed to an incorrect payee.

(MCA 7-7-2104)

Suggested Audit Procedure:

• During expenditure testing and reading of the minutes of the county commissioners, and through observation during the audit, determine whether any duplicate warrants were issued during the audit period. If so, verify that an indemnity bond for twice the amount of the original warrant was deposited with the county treasurer, unless one of the exceptions noted above applies.

OUTSTANDING WARRANTS:

8. <u>Compliance Requirements:</u>

• All warrants remaining outstanding for a period of one year or longer should be canceled by action of the board of county commissioners. This action should be noted in the official minutes of the board. (MCA 7-6-2607(2))

(<u>Note:</u> Although the warrant may be canceled after one year, it appears the county obligation is not terminated until after 8 years, the time (statute of limitations) specified by MCA 27-2-202(1). (AGO #1, Vol. 21))

(Note: MCA 70-9-802(14)(b), provides that the provisions of the Uniform Unclaimed Property Act are no longer applicable to property held by a local government entity. Accordingly, cancelled warrants are no longer considered to be abandoned property for this purpose.)

PAGE: 6 of 7

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

Suggested Audit Procedure:

• Review a listing of outstanding warrants at June 30, and determine whether any have been outstanding for one year or longer. If so, verify that the warrants have been subsequently cancelled by the board of county commissioners and that such action is noted in the official minutes of the board.

REGISTERED WARRANTS:

9. <u>Compliance Requirement:</u>

• If there is insufficient money in a fund upon which a warrant is drawn, the county treasurer must register the warrant, and indicate on the warrant "Not paid for lack of funds in the treasury." From and after the date of registration, the warrant is to draw interest at a rate which is determined by the board of commissioners (or by the board of trustees, in the case of school district warrants). School district warrants drawn on budgeted funds are required by MCA 20-9-212(8), to be registered only if there is insufficient money in <u>all</u> funds of the district. When there is sufficient money to pay a registered warrant, the treasurer must give notice as required by MCA 7-1-2121. Warrants cease to draw interest from the first publication of this notice, and are to be paid in the order in which they are presented. (MCA 7-6-2603 through 7-6-2606)

Suggested Audit Procedure:

• Determine if, during the audit period, any warrants were drawn on funds with insufficient money. If so, verify that the warrants were registered and the above procedures were followed. The county treasurer should maintain a "register of registered warrants" in some form to document the date of presentation, the amount of interest earned, and the date of payment of each registered warrant.

RESTRICTION ON USE OF COUNTY CREDIT BY PRIVATE PERSONS:

10. Compliance Requirement:

• No county may ever give or loan its credit in aid of or make any donation or grants to any individual, association or corporation. (MCA 7-7-2103)

Suggested Audit Procedure:

• During expenditure testing and in reading the minutes of the county commissioners' meetings, watch for any expenditure or actions which appear to be a donation or grant to an individual, association or corporation. Follow-up, including legal advice, may be required on any questionable payments.

PAGE: 7 of 7

COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

FULL DISCLOSURE OF PUBLIC EXPENDITURES ON FEDERAL LOBBYING

11. Compliance Requirements:

- Effective October 1, 2007 Each quarter of a fiscal year that a local government (i.e., county, a consolidated government, an incorporated city or town, a school district, or a special district), makes an expenditure for the services of a lobbyist to lobby an elected federal official or an appointee of an elected federal official, the local government shall make readily available for public inspection upon request a summary report itemizing each lobbying service provided and how much money was spent for each service.
- Each local government subject to the above shall:
 - (a) designate an office from which a copy of the report may be obtained; and
 - (b) post a copy of the report to the local government's website on the internet, if the local government has a website.

(MCA 5-7-120)

Suggested Audit Procedures:

- Through inquiry, a review of Board minutes, and a review of expenditures, determine if the local government incurred expenditures for lobbying of elected federal officials.
- If so, obtain a copy of the summary report itemizing the lobbying service, and if applicable, verify that the report is on the local government's website.